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ABSTRACT

Over the last decade, minority firms and individuals have become increasingly more active in the process of educational research and development (R&D) activities. The future of such involvement appears to be one of continued increase, both because of the response of the marketplace and the growth in the number of firms owned by minority individuals. Such firms may be eligible to participate in special procurement programs established at local, State, or Federal levels. At the Federal level, the Small Business Administration's 8(a) Procurement Program enables firms to compete for Federal procurements on a restricted set-aside basis whereby firms are guaranteed a certain portion of the budgetary expenditures of an agency. For a firm to be eligible, 51% of its ownership must be held by minority individuals who can prove that they are socially or economically disadvantaged. However, criteria for determining such eligibility are mainly subjective. All minority firms, whether eligible for 8(a) or not, can compete for other Federal, State, and local contracting opportunities. Recent Federal enactments have mandated that minority firms receive a certain percent of government dollars. (Author/WI)

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THE ROLE OF MINORITY FIRMS AND 8(a) COMPANIES IN EDUCATIONAL RESEARCH AND DEVELOPMENT

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Over the last decade, minority firms and individuals have become increasingly more active in the process of educational research and development activities. The future of such involvement appears to be one of continued increase both because of the responsiveness of the marketplace and the growth in the number of minority firms and professionals qualified to engage in such research and development activities. This article addresses the processes by which minority firms become certified to participate in the Federal Government's 8(a) procurement process. Additionally, a general review of the educational research and development marketplace, in which minority professionals may become involved, is discussed.

Firms which are owned by minority individuals may be eligible to participate in special procurement programs established at the local, state, or Federal levels. One such program which operates at the Federal level is the Small Business Administration's 8(a) Procurement Program. This program enables eligible firms to compete for Federal agency procurements on a restricted or set-aside basis. All Federal agencies are mandated to reserve a certain portion of their budget for contractor-provided products and services to be secured specifically from 8(a) qualified firms. In establishing set-asides, therefore, 8(a) firms are guaranteed, as a whole, to receive a certain portion of the budgetary expenditures of an agency. This does not mean, however, that an individual 8(a) firm will necessarily receive any Federal procurements.

The 8(a) process is advantageous to Federal procurement officials who wish to expedite the selection of a contractor to perform a certain service or provide a certain product. Typical Federal procurements involve lengthy and time-consuming bureaucratic processes. Although they are designed to result in fair competition and yield the most qualified and cost-effective awards, competitive procurement processes are slow and cumbersome. Agency officials who desire the initiation of a project within a fairly short period of time will often turn to the 8(a) process because of the relative ease with which it operates. Once a particular procurement opportunity is designated for the 8(a) set-aside program, it is relatively simple and fast to select an 8(a) company to negotiate a particular procurement without subjecting that procurement to competition among other qualified 8(a) firms.

Restricted competition within the 8(a) procurement process is the major advantage to eligible minority firms. While 8(a) procurements may be competitively awarded among a group of qualified firms, such competition is limited to three firms for any given procurement. Thus, at most, an 8(a) firm only competes with two other firms for the award of any single 8(a) contract. As previously noted, procurement officials can also designate a single 8(a) firm to negotiate a procurement without any competition whatsoever. Thus, the 8(a) process enables eligible firms to procure Federal contracts with a minimum of competitive pressure. This in no way suggests that these firms cannot compete favorably with other 8(a) or non-8(a) companies. The key to success in any procurement environment is to be well qualified. No matter how simple the process or restricted the competition, Federal agencies are not in the habit of procuring services from companies who are ill equipped to provide them.

Thus, while the 8(a) procurement process does restrict competition, it does not substitute convenience for quality.

Because the 8(a) process is one that restricts competition, success for 8(a) firms involves building and maintaining an information network. Procurement opportunities set aside in the 8(a) program are not published in the Commerce Business Daily, as are competitive Federal procurements, nor are there requirements to notify eligible 8(a) companies when a procurement opportunity is being directed through the 8(a) process. Hence, it is advantageous for each 8(a) firm to maintain contact within Federal agencies to learn of 8(a) procurement opportunities when they arise. The onus of being informed is on the 8(a) company and not on an individual Federal agency. Without such market information a well-qualified 8(a) firm may never be considered for a single 8(a) procurement. Armed with an awareness of where such procurements exist, however, a well-marketed 8(a) firm may find itself in competition for a vast number of 8(a) awards.

While the benefits have been described, the 8(a) procurement process, historically, has not been a program through which large numbers of minority firms have received access to the estimated $30-40 billion a year that the Federal Government spends in procuring goods and services. As of December 31, 1977, fewer than 1,500 firms had been certified as eligible to participate in the 8(a) program. Of these, only 255 offer professional services to Federal agencies. During the Government's 1977 fiscal year, only 199 of the eligible professional services 8(a) firms had received contracts; those contracts totalled only $84 million.

Approximately one-half of the professional services firms certified to participate in the 8(a) program are located in SBA's Region III, which encompasses the Washington D. C. area. These firms received a total of $52 million in contracts during FY77, or almost 62 percent of the total value of contracts received by all 8(a) professional services companies.[1] This fact may be attributed to the restricted competition for 8(a) awards which necessitates maintenance of awareness of 8(a) contract opportunities as they arrive. Thus, the 8(a) program can be criticized for not having achieved a high volume of procurement activity, especially in the area of professional services. The future, however, does appear to be one of increased 8(a) contracting.

President Carter, in a September 12, 1977 statement on minority business enterprise, mandated that all Federal agencies double their purchases of services from minority firms during the next two fiscal years. He estimated that this increase should raise the level of Federal Government purchases from minority firms to about $1 billion. Furthermore, he mandated that all agencies vigorously enforce subcontracting provisions which require that recipients of large prime contracts utilize minority firms as subcontractors in the completion of their awards. Those of us who are active in the Federal procurement sector have already begun to see manifestations of these initiatives. Heretofore, where agencies have been unresponsive to minority companies, they are now indicating their willingness to contract with such firms. Opportunities for subcontracting awards have also significantly increased.

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[1] Small Business Administration. Report and Recommendations on the Section 8(a) Program for A. Vernon Weaver, Administrator, January 31, 1978, p. 22.

Therefore, minority firms and professionals interested in the area of educational research and development may identify increased opportunities to become involved.

A discussion of the 8(a) program would be incomplete without consideration of the ways in which firms become eligible to participate in this procurement program. As a beginning step, interested firms must approach their district Small Business Administration office and apply for certification to participate in 8(a). To be eligible, at least fifty-one percent of a firm's ownership must be held by individuals who are eligible to participate in the program. Eligibility requirements, however, are somewhat vague and confusing. The initial legislative intent appears relatively clear. The intent was that all minority individuals would be eligible to participate. However, during recent years the Small Business Administration has decided that eligibility should be restricted to those individuals who could show that they were disadvantaged in either social or economic criteria. Objective eligibility criteria to measure social or economic disadvantages do not exist. Each case, therefore, is typically decided on its own merits. Interested applicants are advised to be cautious when applying for 8(a) eligibility and to discuss the merits of their applications with SBA officials. Individuals, who may currently be certified, are encouraged to carefully review the SBA's standard operating procedure for the 8(a) program before submission of an application. These steps may enable you to tailor your statement of economic or social disadvantagement to the particular audience considering your case.

All minority firms, whether eligible for the 8(a) program or not, can compete for other Federal, state, and local contracting opportunities.

In fact, the overwhelming size of these markets, when compared to the 8(a) market, necessitates that minority firms investigate them.

Eligibility determinations for participation in the 8(a) program are based on the total amount of 8(a) procurements available within an industry. If the regional office feels that insufficient procurement funds are available to support existing 8(a) companies within a particular industry, additional certifications in that industry may be withheld. In view of the Carter Administration's stated support for growth in the 8(a) program, this approach to denying eligibility may be invalidated.

Recent federal enactments have mandated that minority firms receive a stated percentage of Federal, state, or local contract dollars. The Public Works Authorization of 1977 enabled minority firms to receive 15 percent of all Public Works contracting while a similar District of Columbia law required that a 25 percent share of the District's budget for minority contractors. Federal agencies, such as the Department of Transportation, have created departmental set-aside programs that operate independently of the 8(a) program. Further, with the coming to power of blacks and other minorities in local political areas, procurement offices have begun to lower the historic barriers that have prevented minority companies from winning contract awards.

The marketplace for educational research and development services is not solely limited to the Federal establishment. Since all federally sponsored grant recipients are required to include an evaluation component, hence, local school boards comprise a vast market for evaluation activities. Quasi federal agencies, such as the National Science Foundation, are other sources which procure considerable educational

R & D services. Large government prime contractors are also becoming a significant source of contracting opportunity. Since subcontracting opportunities must be made available to minority owned firms by prime contractors, this promises to be a sizeable market area. Survey efforts and instrument development tasks are examples of work that is often subcontracted in the completion of research efforts. None of these non-Federal sources require 8(a) certification of minority firms.

Within the Federal establishment, the National Institute of Education, the Office of Education, and the National Center for Educational Statistics within the Department of Health, Education, and Welfare, are the largest purchasers of educational R & D services. As indicated in Appendix A, 8(a) expenditures from these three sources totalled $4 million in FY77. The FY78 goals of these three agencies are slightly under the FY77 total (See Appendix A). It should be noted that these goals are not restricted to procurement of professional services, but also include all 8(a) contracting. (Note: Expenditures of the National Center for Educational Statistics are included with those of the Office of Education).

Contracts for evaluation of program performance which impacts policy initiatives, comprise other sources where the skills of the educational research and development establishment are utilized. The Departments of Labor, and other HEW agencies, i.e. the Office of Human Development, the Public Health Service, and the Office of Planning and Evaluation procure evaluation services in large amounts. These sources should be investigated for contracting opportunities in addition to those already noted. Many of the professional papers presented at this gathering will focus on the future thrusts of these agencies and should be monitored closely by those interested in becoming active in the educational R & D marketplace.

An important initiative of the Carter Administration has been its reorganization of equal employment opportunity compliance activities. This reorganization has resulted in a dramatic increase in the level and funding of equal employment compliance reviews. Therefore, established non-minority firms who have previously been very successful in the educational R & D marketplace find themselves in a position of having to certify that they have been affirmatively active. Many firms, however, cannot make such a certification. If they are to continue to receive Federal procurements they must initiate or step-up existing affirmative action plans with respect to their hiring of professional and non-professional staffs. This would result in an increase in activity in the job market for minorities at all levels, including those interested in educational research and development activities. Minority professionals should also be encouraged to pursue relationships with minority companies who are active in the educational research and development marketplace. Such firms often present many opportunities for involvement ranging from full or part-time employment to consultantships. This is particularly true of professional service firms whose projects vary considerably from year to year. Opportunities to become involved in proposal preparation efforts and project implementation efforts are often available in such companies.

APPENDIX A

MINORITY BUSINESS 8(A) PROCUREMENT DATA

SUMMARY OF DHEW PERFORMANCE, BY AGENCY

FY 1977 AND GOALS FOR FY 1978

DHEW	FY 78 GOALS NUMBER	FY 78 GOALS AMOUNT	FY 77 TOTAL NUMBER	FY 77 TOTAL AMOUNT
Office of Education	20	$2,734,000	13	$2,222,833
National Institute of Education	10	1,000,000	11	1,803,085
Public Health Service	206	13,380,000		
Health Service Administration	*	*	14	995,145
Health Resources Administration	*	*	18	1,149,821
Center for Disease Control	*	*	12	523,725
Alcohol, Drug Abuse, and Mental Health Administration	*	*	41	2,856,276
National Institutes of Health	*	*	18	1,405,665
Food and Drug Administration	*	*	21	1,706,919
Administration Services Center	*	*	23	1,488,466
HCFA	20	2,000,000	20	802,223
Social Security Administration	7	750,000	8	634,028
OFEPM	0	0	4	269,679

*Data not available

APPENDIX A--Continued

DHEW	FY 78 GOALS NUMBER	FY 78 GOALS AMOUNT	FY 77 TOTAL NUMBER	FY 77 TOTAL AMOUNT
Office of Secretary	48	$4,000,000	28	$2,322,839
Office of Human Development	87	10,000,000	61	6,124,226
REGIONAL OFFICES			5	467,885
TOTALS			297	$24,772,815